

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 2716-01  
BILL NO.: HB 1302  
SUBJECT: Corporations; Revenue Dept.; Taxation and Revenue-General  
TYPE: Original  
DATE: February 7, 2000

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
General Revenue	(\$24,300,000)	(\$24,500,000)	(\$24,800,000)
Outstanding Schools Trust	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$24,300,000)</b>	<b>(\$24,500,000)</b>	<b>(\$24,800,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

**ASSUMPTION**

Officials of the **Department of Revenue (DOR)** state this proposal eliminates the limit on the corporate federal income tax deduction on January 1, 2000. This proposal will have little or no administrative impact to the Department of Revenue.

Officials of the **Office of the State Treasurer (STO)** and **Secretary of State (SOS)** state this proposal would not fiscally impact their agencies.

Officials of the **Office of Administration (COA)** state this proposal restores the full federal income tax deduction for corporate income taxpayers, and replaces that revenue with General Revenue in the amount of 3.125% of total federal income tax liability.

COA staff state that their estimate for restoring the full federal income tax deduction is from the FY 2001 Consensus Revenue Forecast and Budget and Planning's Corporate Income Tax Simulator. This proposal states that an amount equal to 3.125% of total federal income tax liability of corporate taxpayers be transferred from the General Revenue Fund to the Outstanding Schools Trust Fund. In FY 2001 the amount of federal tax liability of corporate income taxpayers is approximately \$776.7 million, 3.125% of this amount is \$24.3 million. A one percent annual growth rate was assumed.

**This proposal could result in a decrease in Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<b>GENERAL REVENUE FUND</b>			
<u>Loss to General Revenue Fund</u>			
Increase in funds transferred to Outstanding Schools Trust Fund	(\$24,300,000)	(\$24,500,000)	(\$24,800,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$24,300,000)</u></b>	<b><u>(\$24,500,000)</u></b>	<b><u>(\$24,800,000)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**OUTSTANDING SCHOOLS TRUST  
FUND**

Loss to Outstanding Schools Trust Fund

Increase in Federal Corporate Tax Deduction	(\$24,300,000)	(\$24,500,000)	(\$24,800,000)
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Income-Outstanding Schools Trust Fund

Transfer from General Revenue Fund	\$24,300,000	\$24,500,000	\$24,800,000
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**ESTIMATED NET EFFECT ON  
OUTSTANDING SCHOOLS TRUST  
FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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\$0	\$0	\$0
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FISCAL IMPACT - Small Business

Small business would be expected to be fiscally impacted to the extent that they pay income taxes. The increase in the federal income tax deduction would cause small businesses to pay less income tax.

DESCRIPTION

This bill authorizes a 100% state income tax deduction for federal income taxes paid by a corporation. Under current law, corporations are only allowed to deduct 50% of federal income tax paid. The bill also replaces the lost transfers to the Outstanding Schools Trust Fund resulting from the increased deduction for federal income taxes paid by corporations with general revenue funds. The bill will apply to tax year 2000 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue  
Office of the Secretary of State  
Office of the State Treasurer  
Office of Administration

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "Jarrett".

Jeanne Jarrett, CPA  
Director  
February 7, 2000